

Financial Services



Increase Transaction Volume by Focusing on Trust and Convenience, Not Promotional Activity

Financial services may be the ultimate form of online content because they require little to no physical fulfillment. However, the number of households that currently conduct banking or brokerage transactions online pales in comparison with the number of people who buy goods on the Web. Financial sites continue to struggle to persuade consumers to entrust their financial transactions to the Web.

Key Questions

- What factors will convince online users to move their financial affairs to the Web?
- Can promotions and competitive rates outweigh the limitations of branchless banking and brokerage in order to speed customer activation?
- How should financial institutions market themselves to individual customer segments?

Key Finding

Consumers will move their finances online when financial institutions effectively convey trustworthiness, service, and reliability instead of promotional messages. However, to reach specific customer segments, financial services companies must identify their targeted audience and then make appropriate changes to their product mix, marketing strategy, and support services.

Excel in Strength and Service to Add Online Customers

To move customers from higher-cost traditional channels to Web-based offerings, financial institutions must cater to online consumers' need for trust, support, and convenience. Whereas 21.5 million US households will buy goods online in 2000, fewer than half of those households—47 percent—will conduct Internet banking and only 45 percent will manage their investments online. Financial institutions must invest heavily in traditional fiduciary service methods

Core Topic

- Marketing Financial Services

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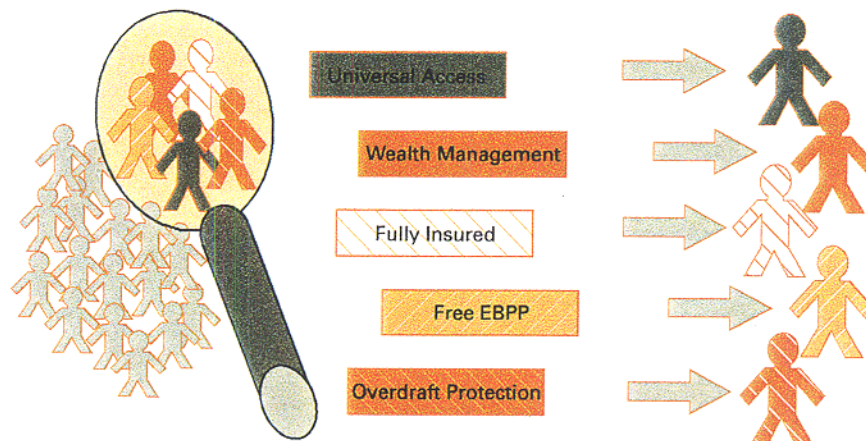
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until advances in technology and business models meet with new levels of consumer confidence. Financial services companies will eventually be among the most pervasive sectors of online commerce because true digital currency will be ideal for transactions when used on a network that is fully connected, secure, and easy to use. Other commerce sectors such as PC retailers are often able to meet their customers' needs without a local physical presence and, thus, need not invest in a distributed physical infrastructure.

Bank Services Must Primarily Excel in Trust, Service, and Convenience

Fig. 1 Services That Attract Customers



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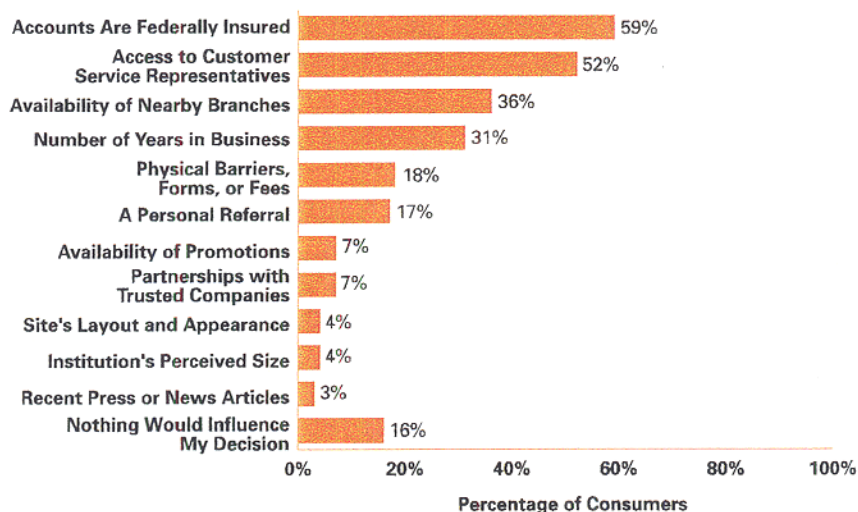
Assurance, Support, and Convenience Are of Primary Importance

Third-party assurance, availability of service representatives and outlets, corporate stability, and avoidance of physical barriers and fees are important to most consumers. For example, thanks to its trusted brand, significant branch network, and the tight integration of its phone, branch, and Web channels, Charles Schwab & Co. has accumulated \$725 billion in held assets and 6.6 million customer accounts. By contrast, pure-player E*Trade, sporting a much younger brand and newly emerging physical branches and ATM outlets, has grown to only \$44 billion and 1.9 million customer accounts (as of February 2000). Consumers place the highest value in President Roosevelt's depression-era legacy, FDIC insurance, when evaluating online banks. Because consumers also tend to seek the

comfort and convenience of customer support representatives and nearby physical branches, financial services companies must not scrimp in these areas, but instead must use all their channels to support the online experience. (The importance of nearby ATM or branch locations decreases as household income increases, which illustrates the versatility of audiences that are less reliant on immediate cash access and are more mobile.) Sites must stress their longevity and strength: Corporate longevity is important to nearly all consumers, especially high-income earners with greater concern for asset protection. Banks must minimize physical barriers and fees, including ATM charges and required paperwork, in order to create an online experience that is more preferable to the off-line one they are trying to replace.

Use Promotional Tactics Only to Reach Targeted Audiences

Fig. 2 Percentage of Users that Would be Influenced by Selected Features



Source: Jupiter/NFO (6/00), n = 2,263 (US only)

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Use Promotional Tactics Only to Reach Targeted Audiences

Financial sites must market themselves using a specialized rather than broad approach in order to reach specific customer groups with unique needs and interests. Large banks such as Wells Fargo are segmenting their broad services into groups such as retirees, students, and military, while American Baptist Credit Union and G & L Internet Bank have

formed an entire institution around distinct sets of messages and needs. To reach women and young adults, financial services companies should use messages and techniques that build on the personal referral networks that are strongest with these groups of consumers. By contrast, financial institutions should use cash bonuses and other promotions to build transaction volume from young and low-income adults, structuring those promotions to prevent easy exit to competitive offers from other financial services companies. Messages that tout the organization's size should only be aimed at high-earners, because other groups aren't particularly concerned with such information.

Focus on Trust and Multichannel Service, but Don't Overlook the Basics

Consumers commonly rate objective criteria the highest, but they will still perceive the difference between a strong, complete Web offering and a halfhearted attempt. Financial marketers must convey trust, value, and convenience for all consumers. Affinity-based banks should build transaction volume by meeting the unique preferences of consumers, but must focus on building trust and pragmatic value rather than delivering a more stylistic approach such as that found at USABancShare's BowieBanc.

Related Sites

- *American Baptist Credit Union: www.abcu.org*
A member-owned financial institution providing services to members and employees of the American Baptist Church since 1957
- *BowieBanc: www.bowiebanc.com*
USABancShare.com's Internet-only bank, designed by David Bowie to "rock the Web"
- *E*Trade: www.etrade.com*
Online discount brokerage service, expanded to provide Internet banking through its acquisition of Telebank
- *G & L Internet Bank: www.glbank.com*
Internet-only provider of account access, loans, and banking cards, primarily to the gay and lesbian community
- *Charles Schwab & Co.: www.schwab.com*
Provider of discount brokerage services through Internet, phone, and brick-and-mortar channels
- *Wells Fargo: www.wellsfargo.com*
Traditional bank that has successfully migrated consumers to the Internet

Focus on Trust and Convenience FIN00-C07

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Market Strategies

INDUSTRIES